

# INFORMATION

## REGIONAL POLICY

### ABOUT REGIONAL POLICY

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#### Why regional policy ?

A century ago nobody talked about regional policy. Today no expansion programme, be it national or pluri-national, would be complete without it.

This is not a matter of chance. In the modern economy undue disparities between one region and another are a structural weakness. The European Community itself is far from homogeneity. The frontiers have been opened, direct competition prevails, markets are governed by common policies; but there can be no uniform and harmonious development unless this is accompanied by structural measures converging adequately upon a better balanced condition, both in quality and in quantity in the distribution of economic activity between the different regions of the different countries.

The health of the body is in the health of its limbs and organs. It is not enough to say that the prosperity of one region must not be at the expense of others which are less developed; for, in due time, the unhealth of the one will be a menace to the prosperity of the other.

Production capacities have been expanded and the expansion has gathered pace, but this does not necessarily go hand-in-hand with a judicious spreading of the activity over the whole territory in question. Whole regions have changed their aspect. Mechanised agriculture means fewer farms and fewer farm workers, and the drift to the towns continues. The prodigious boom in the means of transport sets a premium on areas which lie on the main trade routes. Industries are seeking their sites as close as may be to the great consumption centres, or along the great highways of communication. Coastal regions with ready access to deep water are developing briskly; while others in the interior are uneasily adapting themselves to the needs of a modern economy.

This lack of symmetry is bad for all concerned. It means that some regions are expanding and prosperous, while others are in distress; and neither the European Community nor its members can long endure, either economically or socially, that a material part of their economic heritage should lie fallow, or even be doomed to gradual abandonment.

Their reaction against it has become the more emphatic since commitments were made to promote the cohesion of the Community. A joint monetary policy implies

strict discipline and close convergence of economic policies, not only on the functional side, but still more in the field of structural policy.

A community which was content to let backward regions and flourishing regions co-exist, would very soon be subject to strains as destructive as they were costly. What is wanted is a dynamic regional policy, capable of overcoming inertia and opening the way to a consistent process adapting economic geography to human needs.

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#### REGIONAL POLICY IN THE COMMUNITY

The European Community is a young institution, located in a part of the world where the economic growth and the technological transformation are spectacular. From the start, it has recognised, and on several occasions it has stressed, the function and importance of regional policy.

Since 1950, the Treaty setting up the European Coal and Steel Community made expansion and equilibrium part of the same objective. Article 2 of the Treaty of Paris reads as follows :

"The Community must secure the progressive setting up of conditions which will in themselves ensure the most rational distribution of production at the highest level of productivity while, at the same time, safeguarding the continuity of employment and avoiding anything which will create fundamental and persistent disturbance in the economies of member countries".

In 1957, the Heads of State of the Six countries were moved by the same concern when they declared in the preamble to the Treaty setting up the Common Market, that they were "anxious to reinforce the unity of their economies and to ensure their harmonious development, reducing the economic gap between different regions and the backwardness of those least favoured".

It was with this in view that the Directorate General for General Policy was set up in 1967. Two years later a memorandum was published, bringing out the importance in general economic policy of steps taken towards regional development. Included in this memorandum are basic proposals regarding regional policy.

In 1971, when the decision was taken to set up an Economic and Monetary Union, the necessity for dealing with structural and regional imbalances was prominent among the motives leading the Council and the member governments to take a new step on the road to European cooperation. The resolution calls expressly for "whatever action is necessary on the structural and regional side, under a Community policy backed by appropriate resources in order to contribute to the balanced development of the Community and angled, especially, on the resolution of the most important problems".

Though regional policy is part of general economic policy, it is still in many ways left within the competence of the individual countries. It is nevertheless clear that, in virtue of the commitments undertaken by the Six in forming the Economic and Monetary Union, there will be a strong impulse behind the action of the Community institutions. The first steps are being taken which will lead the Community institutions into enlarged fields of activity. They have already been successful in their intervention to ease the problem of finding jobs for workers affected by developments in the ECSC industries. They have also contributed to the development work in southern Italy, and are alive to the problems in the various frontier regions. A brief account of the work done in this field by Community institutions is included below.

An active policy of cooperation in regional matters between the European Institutions and the member governments, will necessarily make calls on the various sources of finance. These are, the European Investment Bank, grants and loans from the European Agriculture Guidance and Guarantee Fund; support from the European Social Fund; and intervention under Article 56 of the ECSC Treaty, which goes so far as to provide for the formation of new industries in regions in which the contraction of the ECSC industries is leading to exceptionally serious unemployment.

In seeking to ensure that every region enjoys a degree of prosperity corresponding to its economic potential, the Community is working for the benefit of each and all of the member countries. It is a well known fact that trade is most fruitful when it is between partners who are both economically well developed. New areas of prosperity will be a better contribution to the well being of the whole Community than would the expensive task of accumulating human and material resources in specific places.

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#### EXISTING REGIONAL STRUCTURES

The Community regions fall into three groups :

1. A first group of industrialised regions, in which the proportion of workers in agriculture is small, the population density is high and the industrial structure highly developed. These regions cover 16 % of the EEC territory (a third of Federal Germany, two-thirds of Benelux, less than 10 % in France and Italy) and 42 % of the Community population (60 % in Federal Germany, 90 % in Benelux, about 30 % in France and less than 20 % in Italy).
2. The second group can be described as semi-industrialised regions. In these, the active agricultural population is less than 15 % and the population density is about 150 people per sq.km. These regions cover about a third of the Community territory (some 20 % in France, a third of the total in Italy and the Netherlands and about two-thirds in Federal Germany); and they have a population of around 55 million, or 30 % of the Community total (40 % in Italy and Federal Germany, about 20 % in France).
3. Finally, there are predominantly agricultural regions in which the proportion of active agricultural population is between 20 and 40 % and the population density is in many cases less than 100 per sq.km. These cover more than

half the territory of the Community (around 55 % in Italy and 70 % in France) and their population is about 50 million, or more than a quarter of the whole population, though in France and in Italy, this proportion is as high as 40 %.

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#### THE CHIEF PROBLEMS IN EACH COUNTRY

##### 1) GERMANY

The key problems are the development of agricultural regions and the conversion of the Ruhr and Sarre basins. For this purpose the Bund and the Länder concerned have put important programmes into operation, mainly aimed at the faster creation of industrial jobs. A major problem is the co-ordination of the aid. Another of the main problems is that of the North German seaports which have been continuously losing traffic to their competitors. This trend, coupled with the foreseeable danger of being left out of the main flow of raw material transport as a result of the setting up of new re-shipment ports in other countries, suggests that it is a matter of urgency that coordinated action be taken by those most concerned.

As regards the methods of regional development, it seems that the policy could be made more effective in two ways :

- a) by better coordination between the infrastructure policy and the industrial policy ;
- b) by coordination of the economic policies of the Länder, both with one another and with the Bund.

##### 2) FRANCE

Regional policy relies on a large number of legislative texts; and simply through the inducement measures it affects a very considerable part of the territory, which gives it a certain aspect of dispersion. The decentralisation of Paris is still a major problem, despite the encouraging first results shown in the big reduction in the rate of population growth there. It seems that the "balancing metropolis" project being studied by the French government may make an effective contribution to the solution of this problem.

Regional policy requires to take into account the 15-year forecast that a million workers will be released from agriculture in Western France; and that some 300,000 workers in Eastern France will leave the mining, steel and textile industries.

In addition, the big works of territorial development, which have been carried out, or set on foot in various French regions, will have to be extended to other regions. Examples are the Dunkirk-Valenciennes canal and its connection with the European network; the waterway link between the North Sea and the Mediterranean; the seaport complex at Fos; and the equipment of an oil re-shipment port in the West.

### 3) ITALY

The major regional problem in Italy is that of the Mezzogiorno. Some authorities estimate the loss of population between 1951 and 1962 as having been 1.7 million. The trend has continued, and the problems it raises are not only quantitative, but also qualitative. They are in fact draining the Mezzogiorno of its vital forces, the lack of which will be a great handicap in subsequent growth phases.

For this reason the creation of new jobs in Southern Italy remains one of the chief problems which has to be solved. This is the objective of the five-year plan; and Italy's difficulties in this connection are well known.

In general, the shrinkage in industrial employment results from the strong trend towards a lower ratio of manpower to capital. In the Mezzogiorno, there is the added structural factor inherent in the fact that the region contains a particularly large number of units in the primary industries, and these are highly capital-intensive industries. So far it has not been possible to set up a sufficient number of small and medium-sized manufacturing undertakings employing more manpower.

A problem still awaiting solution is the integration of the regional programmes and aid with the national plans. Changes in the general structure of public expenditure cannot fail to result from the problem of letting the regions have their own finance resources in the future.

### 4) BELGIUM

The Belgian regional policy, which applies to nearly half the area of the country, does not vary in intensity in proportion to the acuteness of the regional problems. It was no doubt quite natural that the sponsors of new industrial activities, who desired to have the benefit of this aid, should seek locations which, provided the aid was the same, offered the most substantial advantages, particularly in regional infrastructure and equipment. It thus seems natural that the new industrial activities should have settled in those areas in which the problems were least serious and which were not in any real difficulty.

The chief problem in Belgian regional policy seems to be to secure a less considerable dispersion of the resources brought into play. This involves a priority listing of the parts of the country which have the biggest difficulties.

### 5) THE NETHERLANDS

By the end of the century the Netherlands will have a population of 20 million and a density of 600 inhabitants per sq.km. In order to avoid unbearable concentration in the west of the country, the migration of three million inhabitants has to be encouraged from the west and the south into the north and east. This cannot be done unless the regions concerned are industrialised and this, in its turn, requires a structure laid down as a matter of regional policy.

6) LUXEMBOURG

Though the territory is small, there is a quite exceptional imbalance in the geographical and industrial concentration of the population and its activities. If the trend in the European steel industry should lead to the continued transfer of production from inland to seaboard sites, the problem for the Grand Duchy would be very acute. There seems, therefore, to be every justification for regional policy to be pursued and intensified.

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ACTION TAKEN BY THE EUROPEAN INSTITUTIONS

The hope of laying down a coordinated regional policy at the level of governments and the European authorities, has not caught the Community institutions unawares. Within the limits of their resources and those set for them by the Treaties of Paris and Rome, they have been doing an efficient job and attention is invited to its scale and quality. It was with the support, or indeed on the initiative of the European institutions that a number of regions faced with industrial conversion or under-development problems, were put under systematic study. These regions were scattered over the whole Community, including Bari-Taranto, Northern Lorraine and the Southern part of the Belgian Province of Luxembourg, Eastern Bavaria, Schleswig-Holstein, Liège-Maastricht, Aachen, the Loire country, Wallony, the Aosta Valley, Calabria, Westmünsterland-Twente-Oost Gelderland, Frioul-Venetia Julia, Eifel-Hunsrück.

According to the latest figures available, the financial outlay with which the Community organisations contributed to regional development in virtue of their constitutive treaties, amounted to UC 2,362,969. This was made up as follows :

- 1) Support given by the "guidance" section of EAGGF (up to the final 1968 appropriation : U.C. 188,713
- 2) Loans to ECSC industries under Article 54 of the Treaty of Paris (up to 31.12 69). U.C. 725,161
- 3) Loans to new establishments under the reconversion clauses of the ECSC Treaty (up to 31.12 70). U.C. 204,605
- 4) Loans by the European Investment Bank under Article 130 of the EEC Treaty (up to 31.12 69). U.C. 1,244,400

ORGANISATION OF COMMUNITY RESOURCES FOR REGIONAL DEVELOPMENT

Since November 28, 1969 the Council has had before it a proposal for a decision to cover the setting up of Community resources for regional development.

Statements in favour of this Commission proposal were made successively, by the Economic and Social Committee (22.4.70), the Medium-term Economic Policy Committee (28.4.70) and the European Parliament (28.5.70).

The Council was thus enabled to begin its examination of the various problems raised in connection with the Community's regional policy. At its meeting on October 26-27, 1970 it opened a discussion, based on the Commission's proposal and a questionnaire setting out the chief aspects of this proposal in analytical form, and relevant to the basic choices connected with regional policy at the Community level.

The Council made a statement of its agreement to the comparison of the regional policies of the member countries; to define the coordinated objectives at the Community level; and to undertake concerted action, especially in favour of regions in which the problems were most serious and most urgent. The discussion also covered the resources, especially financial resources, to be made available. It was recognised that the existing channels (European Investment Bank, articles 54 and 56 of the ECSC Treaty, the E.A.G.F. and the European Social Fund) had already had a certain regional impact. Having regard, however, to the specific objectives assigned to these various channels, the Council agreed that a thorough analysis should be made to determine the nature and scale of new resources which it might be necessary to create.

On May 26, 1971 the Economic Questions Group of the Council submitted a draft report to the Committee of Permanent Representatives. This is specially concerned with three essential points :

1. Priorities which should guide the action taken by member countries and the aid commitments of the Community ;
2. Constitution and terms of reference for the Permanent Regional Development Committee on the creation of which a generally favourable attitude had emerged in the Council session of October 1970 ;
3. The finance resources to be used, both by the improved use of existing channels and machinery and by the creation of new resources.

Thus, on the basis of the Commission proposal of October 1969, the Council is now in a position, in line with the wishes expressed at its meeting in October 1970, to make its decisions by which the Community will be provided with the resources necessary for a regional policy.

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FIRST COMMUNITY ACTION  
IN PRIORITY AGRICULTURAL REGIONS

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Under the proposal for a decision made in October 1969, the Commission has now proposed that those regions which are specially affected by changes in agriculture, should be given the benefit of Community action by way of regional policy.

For this purpose the Commission has put forward to the Council two draft regulations. One of these would provide that, in these priority agricultural regions, retiring farmers should be given employment bonuses which would be financed by the Guidance section of E.A.G.G.F. The other is concerned with the way the European Interest Rebate Fund should function, in assisting the regional development covered by the October 1969 proposals. This is the key document for Community aid to regional development.

The aim is to bring these priority regions inside the general development process in the European Community by setting up new activities for their people, and especially by giving those who leave agricultural production a chance of finding remunerative activities in their own regions.

It is estimated that in the next five years, about 300,000 farmers and farm workers of less than 55 years of age, will have to give up their agricultural work in the priority regions. These are regions in which the whole economic activity depended on farming; and the whole face of the countryside will have to undergo a change.

It will be for the Commission to determine these regions, after prior consultation with the Permanent Regional Development Committee and the Permanent Agricultural Structure Committee.

The proposal relating to E.A.G.G.F. (European Agricultural Guidance and Guarantee Fund) would provide that, in connection with projects listed as development operations, a bonus payment of U.C. 1,500 should be made per job created and taken by a retired farmer, or farm-worker, or by one of his children. A drawing of U.C. 250 million will be made from the Fund for this purpose.

The proposal for setting up a European Interest Rebate Fund, provides for a rebate of not more than three points over a period of 12 years. The loans, in respect of which this would be available, would be those contracted for financing productive and infrastructure investments, especially in the priority agricultural regions. The cost of this aid during the first five years of the Fund, would be U.C. 250 million.